



CITY OF LODI COUNCIL COMMUNICATION

AGENDA TITLE: Adopt Resolution Authorizing Early Payoff of Loan Contract E54402 in the Amount of \$1,433,395.68 with the State Department of Water Resources and Increasing Appropriations in the Amount of \$1,205,370

MEETING DATE: September 1, 2010

PREPARED BY: Deputy City Manager

RECOMMENDED ACTION: Adopt resolution authorizing early payoff of loan contract E54402 in the amount of \$1,433,395.68 with the State Department of Water Resources and increasing appropriations in the amount of \$1,205,370.

BACKGROUND INFORMATION: In 1997, the City completed improvements to the water system that were funded by a loan from the State Department of Water Resources (DWR) in the amount of \$3,129,827.51. The terms of the loan were semi-annual payments of \$114,012.04 for 20 years at a note rate of 3.41 percent. The regularly scheduled payments for FY 2010/11 have been approved in the budget.

In anticipation of the upcoming financing for the Surface Water Treatment Plant, staff had the City's financial advisor, Lamont Financial Services, evaluate options with respect to the DWR loan. The financial advisor looked at options of paying the loan as scheduled over the remaining seven years, refinancing the loan with bond proceeds and paying off the loan with available cash balances. Lamont determined there would be a nominal economic advantage in the current rate environment to refinance the existing loan with bond proceeds. Further, Lamont and the City's rate consultant determined there would not be a negative impact to bond coverage ratios if we were to pay the loan in full prior to the next payment date of October 1, 2010.

Staff has received a pay-off statement from DWR that shows the total pay-off as \$1,433,395.68 on September 30, 2010. Interest savings from early pay-off total \$162,772.80. The Water Fund will need additional appropriation authority of \$1,205,370 to accomplish the early retirement of the loan.

Staff recommends that Council approve the early pay-off of the DWR loan and increase appropriations in the Water Fund by \$1,205,370.

FISCAL IMPACT: Early retirement of the DWR loan will save ratepayers \$162,772.80 in interest costs over the next seven years, which would be partially offset by lowered interest earnings on a lower cash balance.

FUNDING AVAILABLE: Water Utility Operating Fund (180)


F. Wally Sandelin
Public Works Director


Jordan Ayers
Deputy City Manager

APPROVED:


Konradt Bartlam, interim City Manager

RESOLUTION NO. 2010-156

A RESOLUTION OF THE LODI CITY COUNCIL
AUTHORIZING EARLY PAYOFF OF LOAN CONTRACT
E54402 WITH THE STATE DEPARTMENT OF WATER
RESOURCES AND INCREASING APPROPRIATIONS

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WHEREAS, in 1997, the City completed improvements to the water system that were funded by a loan from the State Department of Water Resources (DWR) in the amount of \$3,129,827.51; and

WHEREAS, the terms of the loan were semi-annual payments of \$114,012.04 for 20 years at a note rate of 3.41%; and

WHEREAS, in anticipation of the upcoming financing for the Surface Water Treatment Plant, the City's financial advisor, Lamont Financial Services, evaluated options with respect to the DWR loan; and

WHEREAS, the options considered were as follows:

- 1) Paying the loan as scheduled over the remaining seven years; or
- 2) Refinancing the loan with bond proceeds; and
- 3) Paying off the loan with available cash balances.

WHEREAS, Lamont determined that there would be a nominal economic advantage in the current rate environment to refinance the existing loan with bond proceeds; and

WHEREAS, Lamont and our rate consultant determined there would not be a negative impact to bond coverage ratios if we were to pay the loan in full prior to the next payment date of October 1, 2010; and

WHEREAS, staff has received a pay-off statement from DWR that shows the total pay-off as \$1,433,395.68 on September 30, 2010, thus creating an interest savings from early pay-off totaling \$162,772.80; and

WHEREAS, the Water Fund will need additional appropriation authority of \$1,205,370 to accomplish the early retirement of the loan; and

WHEREAS, staff recommends that the City Council approve the early pay-off of the DWR loan and increase appropriations in the Water Fund by \$1,205,370.

NOW, THEREFORE, BE IT RESOLVED that the Lodi City Council hereby approves the early pay-off of the State Department of Water Resources loan E54402 and further approves an increase in appropriations in the Water Fund by \$1,205,370.

Dated: September 1, 2010

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I hereby certify that Resolution No. 2010-156 was passed and adopted by the City Council of the City of Lodi in a regular meeting held September 1, 2010, by the following vote:

AYES: COUNCIL MEMBERS – Hansen, Hitchcock, Johnson, Mounce, and Mayor Katzakian

NOES: COUNCIL MEMBERS – None

ABSENT: COUNCIL MEMBERS – None

ABSTAIN: COUNCIL MEMBERS – None



RANDI JOHL
City Clerk